

CLIMATE INVESTMENT FUNDS

SREP/SC.IS.2/CRP.3

March 7, 2012

Intersessional Meeting of the SREP Sub-Committee

Nairobi, Kenya

March 8-9, 2012

**COMMENTS ON THE INTERSESSIONAL MEETING OF THE SREP SUB-COMMITTEE
(SUBMITTED BY THE GOVERNMENT OF JAPAN)**

Intersessional Meeting of the SREP Sub-Committee (March 8-9, 2012)

Comments from Japan

The Government of Japan would like to express our sincere appreciation for the efforts by the pilot countries, CIF administration unit, MDB committees, CSOs and all the stakeholders in the intersessional meeting. It is unfortunate that we are not able to attend the meeting, and we submit herewith written comments for the SREP Sub-Committee participants' consideration.

1. Clarification of SREP Investment Criteria (item 3)

- The core value of the SREP support is to achieve transformational impact in a pilot country by introducing renewable energy. We consider it important that the SREP demonstrates a new and innovative challenge in a pilot country and removes bottlenecks to scale-up private sector investments. In this context, the SREP's financing should not be provided only to expand past or on-going projects, as the transformational impacts by such financing will be very marginal.

2. Investment Plan for Ethiopia (item 4)

- We congratulate the Government of Ethiopia for the preparation of the investment plan. The investment plan will contribute to addressing current energy constraints in the country that heavily relies on hydro generation. The SREP financing will help the Government to achieve Ethiopian new energy mix with other renewable sources including geothermal and wind power projects. Therefore, we are happy to endorse the investment plan.

3. Review of additional information on Investment Plan for Mali (item 6)

- We appreciate the additional information by the Government of Mali. We have no objection to SREP funding for project preparation.

4. Update on Investment Plan for Nepal (item 7)

- We would like to thank the Government of Nepal for the updated investment plan, and we are happy to endorse the proposed revision to the investment plan.

5. Prioritization of pilots on the SREP reserve list (item 9)

- We have reservations about the methodology to determine priority ranking among the six countries, particularly the indicators used. We would appreciate clarification by CIF administration unit.

(1) GDP

- ◆ The current methodology applies three indicators of GDP, population, and GDP per capita, but they are correlated and therefore may lead to contradictory results, as shown below.

(Example)

Suppose there are Country A and B, where the size of population is same, but Country B's GDP per capita is lower than Country A's. Intuitively, Country B should be given priority over Country A. Numerical illustration will support this; if we use only two indicators of population and GDP per capita, Country B will get a higher score (6 for Country B against 5 for Country A).

However, if we use three indicators of population, GDP, and GDP per capita, these two countries will be given the same scores (8). This is because the addition of GDP has an offsetting impact to GDP per capita.

From the above observation, we think using GDP as indicator has little logical ground; we should use only population to measure a size of the country.

Country	a Population			b GDP			c GDP per capita (c=b/a)			Total Point	
	Score	evaluation	Point	Score	evaluation	Point	Score	evaluation	Point	a+c	a+b+c
A	10	○	3	10	○	3	1.0	△	2	5	8
B	10	○	3	5	△	2	0.5	○	3	6	8

(2) CPIA

◆ We feel that the rating distribution (1 to 3) of CPIA is not balanced. The country with 3.33 has received a lowest rating of 1, but 3.33 is just an average of the 6 countries. Rating of 2 would be more appropriate. .

Country	CPIA	Point	Population	Point	Electricity Access	Point	HDI	Point
Armenia	4.17	3	3.1	1	100	1	0.72	1
Liberia	2.83	1	4.0	2	1	3	0.33	3
Mongolia	3.33	1	2.8	1	90	1	0.65	1
Pacific	3.14	1	1.1	1	40	2	0.60	1
Tanzania	3.83	3	44.8	3	11	2	0.47	2
Yemen	3.33	1	24.1	3	50	1	0.46	2
+1 Std deviation	3.77		19.67		81.77		0.67	
Median	3.33		3.55		45.00		0.53	
-1 Std deviation	2.89		-12.57		8.23		0.40	

- Regarding funding methodologies to new pilot countries, “a minimum funding range scenario” providing minimum allocation for each pilot is our preferable option. This is from lessons learned of CTF resource allocation, where large initial allocation has not been effectively utilized due to delays in project formulation. In addition, the minimum approach will be able to benefit larger number of more pilot countries than the maximum approach.

5. Proposal for the Scope of a Pacific Regional Program under the SREP (item 10)

- As commented in the “Prioritization of pilots on the SREP reserve list (item 9)”, we think only population should be used to measure a size of the country.
- Regarding the number of countries and regional component, we appreciate the proposal by the MDB committee, as we believe it will promote effective and efficient use of limited resources. We therefore support the proposal.

6. Proposal for Revised SREP Results Framework (item 11)

- We highly appreciate the effort by the administration unit, the MDB committee and the pilot countries, and welcome the revised framework reflecting the implementation experience on the ground. We are happy to approve the revised SREP results framework with one remark below.
- We support the concept of “new and additional resources for renewable energy projects” as one of the major results and using leverage factor as indicators. In this regards, since catalyzing private sector investment is a critical factor of the SREP, we believe it would be helpful to produce a leverage factor specific to private sector investment.

end.